

June 13, 1969

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Attention: John C.

Dear John:

Enclosed is a memo from [redacted] answering the questions you had asked me. Since the IRP proposals are Company Proprietary, I decided not to send them to you since it would be a nuisance for you to control them. However, I will be glad to show them to you on your next visit. In going through the programs, the only one of direct benefit to you was a 1967 IQ Program. The others you benefitted from indirectly, in that as our capabilities increased we can keep you abreast of our technology: For example, you received one of our first TOC camera's and playback systems, the research part of which was performed on IRP. In addition, some of our IRP spatial filtering work was indirectly useful in the shaded aperture work. I am also enclosing the quote by [redacted] memo mentions.

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Sincerely,

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GOR/md
Enclosures:

M E M O R A N D U M

TO:

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FROM:

11 June 1969

SUBJECT: IRP Documentation for John C.

- 1) Attached are brochures describing Independent Research Programs approved by the Government for fiscal years 1967, 1968 and 1969. You can peruse through them and determine to what extent any of these programs were of actual or potential benefit to the Image Analysis contract, and forward these to John C. if you deem it advisable.

- 2) Under existing ASPR regulations, the Government sharing in Independent Research is negotiated by the DCASR Administrative Contracting Officer (ACO) and is theoretically binding on all agencies of the Government. For your information, our current agreement is that the Government will share in 80% of all IRP expenditures not exceeding 2% of sales. IRP costs are thus allocated to all divisions of [] (whether Government or commercial), and the 80% recovery is only meaningful on cost-reimbursement contracts such as Image Analysis. Overall, because of our present mix of Government and commercial business, we "recover" approximately 50% of our IRP investment as an allowable line item in the various overhead pools of []

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- 3) The concept of IRP is not to show a direct benefit to any one customer or program at any given time, but to seek an eventual benefit to the U. S. Government as a whole, whether or not advantages may also be obtained by the contractor. (In this respect, you may want to read a testimony by [] DDR&E, quoted verbatim on Page 3 of our 1967 IRP brochure.)

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John C. must recognize that if the Independent Research Programs carried out in 1967, 1968 and 1969 were of limited value to his contract, it is hypothetically true that this contract was enhanced by Independent Research Programs carried out in earlier years under the direction of [] [] yourself and others.

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- 4) To answer your specific question on Image Analysis, direct labor expenditures for fiscal years '67, '68 and '69 (through the end of May) were:

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[REDACTED]

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Based on the amount of Independent Research allocated to our overhead during these fiscal years, the pro rata share charged to the Image Analysis program was: [REDACTED] for FY '69.

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I hope the above answers your questions, but please ask if you need further clarification.

PWA/db
Attachment

THE COMPANY'S INDEPENDENT RESEARCH PROGRAM

[redacted], Director of Defense Research and Engineering, recently testified at a congressional hearing on Independent Research. His views are strongly shared by the management of [redacted] stated:

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"Government contracts cannot fully provide the continuity or range of technical effort needed to permit a company to maintain stable, or on-going technical and scientific competence. Such competence obviously cannot spring into being each time the Government awards a contract to a company. The growth of competition on Government contracts make it increasingly difficult for any one company to win sufficient contracts to maintain the broad base of technology essential to be completely responsive to Government needs.

"In short, Government-based R and D today is effectively complemented by a broad and productive base of independent R and D. The Government should continue to pay its allocable share of the costs of maintaining this base. Government-based R and D and IR and D combined, afford the optimum means for maintaining a competent and responsive industrial base and assuring the continued flow of new technology."